

**Proposed Substitute
Bill No. 401**

LCO No. 3351

**AN ACT CONCERNING THE CONNECTICUT BIOSCIENCE
INNOVATION FUND AND INVESTMENTS BY CONNECTICUT
INNOVATIONS, INCORPORATED.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-39 of the general statutes is amended by adding
2 subdivision (41) as follows (*Effective July 1, 2016*):

3 (NEW) (41) To invest in private equity investment funds, or funds
4 of funds, and enter into related agreements of limited partnership or
5 other contractual arrangements with such investment funds. Any such
6 investment fund may be organized and managed, and may invest in
7 businesses, located within or outside the state, provided the
8 investment objectives and criteria for such fund shall be consistent
9 with policies adopted by the corporation's board of directors,
10 including, but not limited to, a requirement that not less than the
11 amount invested by the corporation in such investment fund, net of
12 reasonable management fees and closing costs, shall be invested in a
13 manner that supports (A) the growth of business operations of
14 companies in the technology, bioscience or precision manufacturing
15 sectors in the state, or (B) the relocation of companies in such sectors to
16 the state.

17 Sec. 2. Section 32-41aa of the 2016 supplement to the general statutes

18 is repealed and the following is substituted in lieu thereof (*Effective July*
19 *1, 2016*):

20 For the purpose of this section and sections 32-41bb to 32-41dd,
21 inclusive:

22 (1) "Administrative costs" means the costs paid or incurred by the
23 administrator, including, but not limited to, peer review costs,
24 professional fees, allocated staff costs and other out-of-pocket costs
25 attributable to the administration and operation of the Connecticut
26 Bioscience Innovation Fund.

27 (2) "Administrator" means Connecticut Innovations, Incorporated,
28 in its capacity as administrator of the Connecticut Bioscience
29 Innovation Fund established pursuant to section 32-41cc, as amended
30 by this act.

31 (3) "Advisory committee" means the Bioscience Innovation
32 Advisory Committee established pursuant to section 32-41bb.

33 (4) "Early-stage business" means a business that has [been in
34 operation for not more than seven years and is developing or testing a
35 product or service that is (A) not yet available for commercial release,
36 or (B) commercially available in a limited manner, including, but not
37 limited to, market testing of prototypes and clinical trials that have not
38 begun phase II evaluation] not yet achieved an annual commercial
39 revenue greater than two million dollars.

40 (5) "Eligible recipient" means a duly accredited college or university,
41 a nonprofit corporation or a for-profit start-up or early-stage business.
42 "Eligible recipient" also includes any business that has received
43 financial assistance from the Connecticut Bioscience Innovation Fund
44 or from Connecticut Innovations, Incorporated, for the purpose of
45 additional financial assistance to be awarded to such business from
46 such fund.

47 (6) "Financial assistance" means any and all forms of grants,
48 extensions of credit, loans or loan guarantees, equity investments or

49 other forms of financing.

50 (7) "Return on investment" means any and all forms of principal or
51 interest payments, guarantee fees, returns on equity investments,
52 royalties, options, warrants and debentures and all other forms of
53 remuneration to the administrator in return for any financial assistance
54 offered or provided.

55 [(8) "Phase II evaluation" means a phase II clinical trial conducted
56 under the auspices of an independent peer-reviewed protocol that has
57 been reviewed and approved by one of the National Institutes of
58 Health or the federal Food and Drug Administration.]

59 Sec. 3. Section 32-41cc of the 2016 supplement to the general statutes
60 is repealed and the following is substituted in lieu thereof (*Effective July*
61 *1, 2016*):

62 (a) There is established a Connecticut Bioscience Innovation Fund,
63 to be held, administered, invested and disbursed by the administrator
64 pursuant to this section. The fund shall contain any moneys required
65 or permitted by law to be deposited in the fund and any moneys
66 received from any public or private contributions, gifts, grants,
67 donations, bequests or devises to the fund. [Repayment of principal
68 and interest on loans issued from the fund] Pending disbursement as
69 financial assistance to eligible recipients, moneys in or received for the
70 fund may be deposited with and invested by any institution as may be
71 designated by the administrator at its sole discretion and paid as the
72 administrator shall direct. The administrator may make payments
73 from such deposit accounts for use in accordance with the provisions
74 of this section. Earnings attributable to such investments shall be
75 credited to the fund and shall become part of the assets of the fund.
76 Any balance remaining in the fund at the end of any fiscal year shall be
77 carried forward in the fund for the fiscal year next succeeding.

78 (b) Any return on investment, repayment of loan principal or
79 interest or other income or earnings received by the administrator as a
80 result of financial assistance provided from the Connecticut Bioscience

81 Innovation Fund to eligible recipients [, or attributable to the
82 investment of the fund by the administrator, shall be deposited and
83 held for the use and benefit of the fund. Moneys in or received for the
84 fund may be deposited with and invested by any institution as may be
85 designated by the administrator at its sole discretion and paid as the
86 administrator shall direct. The administrator may make payments
87 from such deposit accounts for use in accordance with the provisions
88 of this section] shall be deemed unrestricted funds of the corporation
89 for the purposes of subsection (b) of section 32-41a.

90 (c) The Connecticut Bioscience Innovation Fund shall not be deemed
91 an account within the General Fund and shall be used exclusively for
92 the purposes provided in this section.

93 (d) The Connecticut Bioscience Innovation Fund shall be used (1) to
94 provide financial assistance to eligible recipients as may be approved
95 by the advisory committee pursuant to subsection (e) of this section,
96 (2) for the repayment of state bonds in such amounts as may be
97 required by the State Bond Commission, and (3) to pay or reimburse
98 the administrator for administrative costs pursuant to subsection (j) of
99 this section. Such financial assistance shall be awarded to further the
100 development of bioscience, biomedical engineering, health information
101 management, medical care, medical devices, medical diagnostics,
102 pharmaceuticals, personalized medicine and other related disciplines
103 that are likely to lead to an improvement in or development of
104 services, therapeutics, diagnostics or devices that are commercializable
105 and designed to advance the coordination, quality or efficiency of
106 health care and lower health care costs, and that promise, directly or
107 indirectly, to lead to job growth in the state in these or related fields.

108 (e) All expenditures from the Connecticut Bioscience Innovation
109 Fund, except for administrative costs reimbursed to the administrator
110 pursuant to subsection (j) of this section and amounts required for the
111 repayment of state bonds in such amounts as may be required by the
112 State Bond Commission, shall be approved by the advisory committee.
113 Any such approval shall be (1) specific to an individual expenditure to

114 be made, (2) for budgeted expenditures with such variations as the
115 advisory committee may authorize at the time of such budget
116 approval, or (3) for a financial assistance program to be administered
117 by staff of the administrator, subject to limits, eligibility requirements
118 and other conditions established by the advisory committee at the time
119 of such program approval. The advisory committee may provide
120 financial assistance directly to eligible recipients or indirectly to
121 eligible recipients by investment in private equity investment funds,
122 including investment funds organized, managed and investing in
123 businesses within or outside the state, as described in subsection (g) of
124 this section.

125 (f) Connecticut Innovations, Incorporated shall provide any
126 necessary staff, office space, office systems and administrative support
127 for the operation of the Connecticut Bioscience Innovation Fund in
128 accordance with this section. In acting as administrator of the fund, the
129 administrator shall have and may exercise all of the powers of
130 Connecticut Innovations, Incorporated set forth in section 32-39, as
131 amended by this act, provided expenditures from the fund shall be
132 approved by the advisory committee pursuant to subsection (e) of this
133 section.

134 (g) The advisory committee shall establish an application and
135 approval process with guidelines and terms for financial assistance
136 awarded from the Connecticut Bioscience Innovation Fund directly to
137 eligible recipients. Such guidelines and terms shall include (1) a
138 requirement that any applicant for financial assistance shall be
139 operating in the state, or proposing to relocate operations to the state,
140 in whole or in part, as a condition of such financial assistance, (2)
141 limitations on the total amount of financial assistance that may be
142 awarded in the form of loans and grants, (3) eligibility requirements
143 for loans and grants designed to encourage and support collaborative
144 ventures among eligible recipients, (4) peer review requirements, (5) a
145 process for preliminary review of applications for strength and
146 eligibility by the administrator before such applications are presented
147 to the advisory committee for consideration, (6) return on investment

148 objectives, and (7) such other guidelines and terms as the advisory
149 committee determines to be necessary and appropriate in furtherance
150 of the objectives of this section. The advisory committee shall adopt
151 guidelines for any financial assistance provided indirectly to eligible
152 recipients by investment into private equity investment funds,
153 including, but not limited to, a requirement that any private equity
154 investment fund that receives an investment from the advisory
155 committee invest not less than the amount of such investment by the
156 advisory committee, net of reasonable management fees and closing
157 costs, in eligible recipients in the state.

158 (h) Financial assistance awarded from the Connecticut Bioscience
159 Innovation Fund to eligible recipients shall be used for costs related to
160 facilities, necessary furniture, fixtures and equipment, materials and
161 supplies, peer review, proof of concept or relevance, compensation,
162 and such other costs that the advisory committee determines to be
163 eligible for financial assistance within the purposes of this section.

164 (i) Beginning January 1, 2014, the administrator shall prepare for
165 each fiscal year a plan of operations and an operating and capital
166 budget for the Connecticut Bioscience Innovation Fund. Not later than
167 ninety days prior to the start of the fiscal year, the administrator shall
168 submit the plan and budget to the advisory committee for its review
169 and approval.

170 (j) Administrative costs shall be paid or reimbursed to the
171 administrator from the Connecticut Bioscience Innovation Fund,
172 provided the total of such administrative costs in any fiscal year shall
173 not exceed five per cent of the total amount of the allotted funding for
174 such fiscal year as determined in the operating budget prepared
175 pursuant to subsection (i) of this section. Nothing in section 32-41aa, as
176 amended by this act, 32-41bb or this section shall require the
177 administrator to risk or expend the funds of Connecticut Innovations,
178 Incorporated in connection with the administration of the Connecticut
179 Bioscience Innovation Fund.

180 (k) Not later than April 15, 2014, and annually thereafter, the

181 administrator shall provide a report of the activities of the Connecticut
182 Bioscience Innovation Fund to the advisory committee for its review
183 and approval. Upon its approval, the advisory committee shall provide
184 such report, in accordance with the provisions of section 11-4a, to the
185 joint standing committees of the General Assembly having cognizance
186 of matters relating to finance, revenue and bonding, appropriations,
187 commerce, public health and higher education. Such report shall
188 contain available information on the status and progress of the
189 operations and funding of the Connecticut Bioscience Innovation Fund
190 and the types, amounts and recipients of financial assistance awarded
191 and any returns on investment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016</i>	32-39
Sec. 2	<i>July 1, 2016</i>	32-41aa
Sec. 3	<i>July 1, 2016</i>	32-41cc

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Sec. 2	<i>July 1, 2016</i>	32-41aa
Sec. 3	<i>July 1, 2016</i>	32-41cc